EXHIBIT 1
DATE 1-15-07
HB 29

DEPARTMENT OF JUSTICE
HB 29: Generally Revise Title and Payday Loans

The Debt Trap

Recently, the U.S. Congress capped the interest rate for deferred deposit (or payday) and title loans for members of our nation's military and their families at 36% APR. Since our soldiers are not paid particularly well, Congress was concerned that soldiers who were driven into debt and never able to get free would pose greater security risks. In Montana, soldiers' families make about the same as what the average family here lives on, but the typical payday loan in Montana is a 14-day loan of $300, at 650% APR. Clearly, payday lenders are taking unfair advantage of those individuals who can least afford it.

Title loans, which typically involve consumers using their vehicles as collateral, also result in unreasonably high interest rates. For example, an individual who takes out a 30-day title loan on a $1,000 vehicle would be paying 300% APR. And if borrowers can't repay the loan, they lose their vehicles as well.

While these "lenders of last resort" often portray themselves as a necessary source of emergency funding, their marketing reveals that they depend on people getting caught in the "debt trap." Take for example this radio ad, which promises a lower interest rate for a customer's sixth loan:

> "Need cash? Go to Cash Converters for a delayed deposit loan and get your first $50 interest free for all new customers. And don't forget every sixth loan is half off the interest...."

Provisions to Make Loans More Reasonable

Consumers have a legitimate need for access to capital, so HB 29 proposes to make payday loans more reasonable. HB 29 will:

- cap loans at 25% of a consumer's net income or $300, whichever is less
- cap the APR at 36%, the same cap Congress approved for military personnel
- track loans to ensure that consumers have only one outstanding loan at a time
- establish mandatory repayment plan provisions upon a consumer's request for a loan in default
- prohibit additional loans to consumers who are under repayment plans, preventing the "debt trap"
- increase the license renewal fee for lenders from $125 to $500 and the annual exam fee from $187.50 to $250

Title lending provisions in the same bill will:

- cap the APR at 36% and require that lenders disclose the APR to consumers
- establish a minimum 30-day term for title loans
- define title loans to exclude property that serves as a residence (mobile homes)
- prohibit fees not expressly allowed
- establish a complaint and hearing process for violations through the Division of Banking

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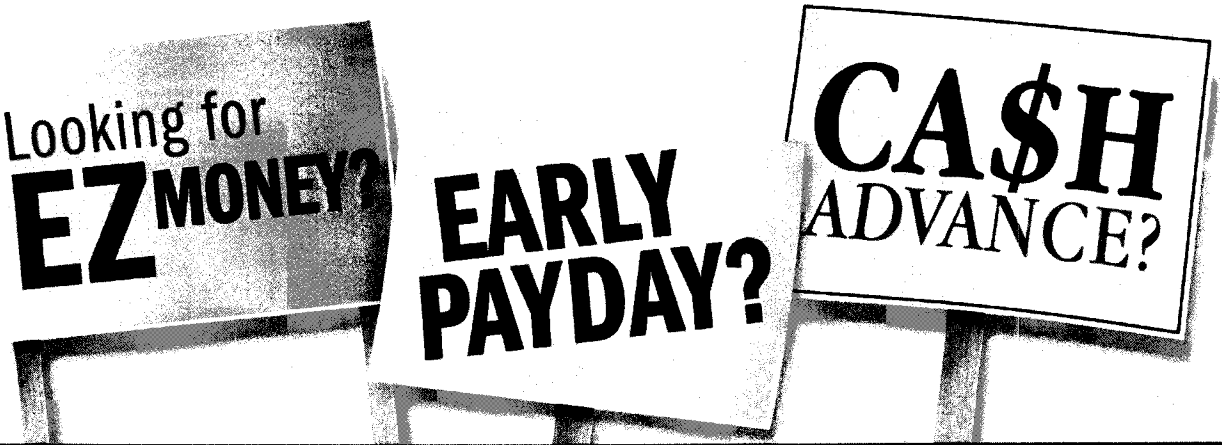
Summary

Consumers need access to capital, but it is unfair to charge the poorest in our society exorbitant interest rates, driving them into inescapable debt. By capping the interest rates at 36% APR, HB 29 would allow payday and title lenders a very generous profit, but at more affordable rates for their customers.

2007 Legislature
January 12, 2007



BEWARE: It's a debt trap!

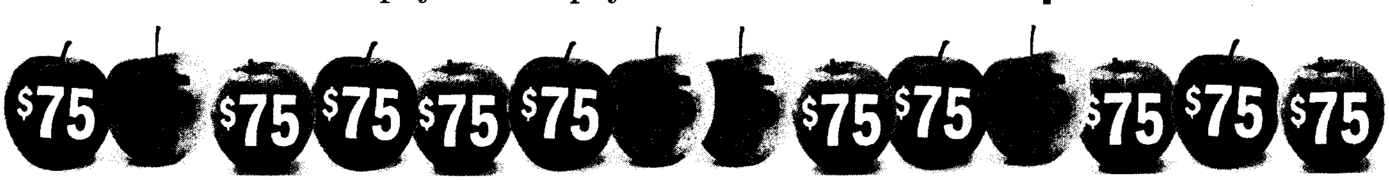
Let's compare apples to apples

You need a $300 loan:

If you borrow from a payday lender, you pay $75 every 2 weeks	Under HB 29, you pay $4.15 every 2 weeks
That's an APR of 650%	**That's an APR of 36%**
After 20 weeks, you've paid $750	After 20 weeks, you've paid $41.50

...and you still owe the original $300 loan.

No partial payments are allowed on most payday loans.
You pay it off or pay the fee. **That's the trap.**



Montana Department of Justice

Congress passes military protection bill

By Jim Abrams, Associated Press Writer | September 21, 2006

WASHINGTON --Servicemen and women would be shielded from people pushing inferior or overpriced financial service and insurance packages under legislation ready for President Bush's signature.

The measure, which was given final congressional clearance in the House Thursday, would allow state insurance regulators to better enforce state and federal law on military bases.

It also would also ban discredited financial products that are no longer available on civilian markets but are still sold to people in the service, who tend to be younger and less schooled in financial matters.

The House approved the bill on a 418-3 vote. The Senate passed it on a voice vote in July.

The chief House sponsor, Rep. Geoff Davis, R-Ky., said that as a former combat arms officer he was among the service members losing thousands of dollars from deceptively advertised investments.

"It was not until I got out of the Army and into the business world that I discovered how uncompetitive these products were when compared to other investment opportunities. However it was too late. My wife and I lost nearly half our life savings on this so-called investment."

Sen. Mike Enzi, R-Wyo., who sponsored the Senate bill with Sen. Hillary Clinton, D-N.Y., noted cases where service members were sold life insurance policies with low benefits and premiums as high as 14 times what is available to enlisted personnel under the Servicemembers' Group Life Insurance program.

One investment banned under the bill, called periodic payment plans, is similar to mutual funds but charges commissions of up to 50 percent in the first year and penalizes those who stop investing in the plan.

The National Association of Securities Dealers, the brokerage industry's self-policing organization, last February announced a $6.8 million program to provide financial training programs for military spouses and financial counselors located on bases.

The program was in response to complaints from Congress and elsewhere that soldiers fighting in Iraq were being subjected to high-pressure sales tactics by financial service salesmen. The program was financed by fines imposed on a Texas company that was accused of selling high-fee mutual funds to military officers.

The legislation also sets up a registry to track investment advisers and brokers to help inform military personnel about sellers with suspect credentials.

A similar House bill that passed in June, 2005, included language to protect military members from abusive lending practices, but the Senate-passed bill did not take up the lending issue.

At a Senate Banking Committee hearing last week, a Pentagon official urged Congress to limit interest rates on payday loans under which service members, often only 18 or 19 years old, get loans with astronomical interest rates to tide them over until the next payday.

Davis has opposed language in the Senate version of a pending defense spending bill that would cap annual interest rates for payday loans at 36 percent. His chief of staff, Justin Brasell, said the Senate provision, sponsored by Sen. James Talent, R-Mo., and Bill Nelson, D-Fla., covers only payday lending and "we want to see a comprehensive approach that will cover all predatory lenders."

Brasell said Davis would work to pass predatory lending legislation, either in the defense bill or as independent legislation. His approach has met some opposition from military and consumer groups who say it sets no specific caps on exorbitant interest rates.

AMERICAN FORCES INFORMATION SERVICE
NEWS ARTICLES

Lawmakers, DoD Take Aim at Payday Loan Sharks

By Donna Miles
American Forces Press Service

WASHINGTON, Sept. 1, 2006 – Interest is building on Capitol Hill in putting a nationwide cap on the interest rates lenders can charge servicemembers for loans, a measure the Defense Department is pushing to protect its force.

A General Accountability Office study released last month offers insight into how payday-lending businesses frequently gouge troops short of cash by charging exorbitant interest rates on loans borrowed against their next paychecks.

"The Report On Predatory Lending Practices Directed at Members of the Armed Forces and Their Dependents" notes that as many as one in five servicemembers are falling prey to loan centers near military bases.

It estimates that 13 to 19 percent of military people took out high-interest, short-term loans last year — typically borrowing about $350 a pop at interest rates of 390 percent to 780 percent.

These loan centers have sprung up like dandelions around military bases. According to the report, they target young, financially inexperienced borrowers who have bank accounts and steady jobs, but also have little in savings and credit problems or maxed-out credit balances.

The report cited an airman at Maxwell Air Force Base, Ala., as an example of the troops who enter into these loan agreements to begin a cycle of debt that's nearly impossible for many to reverse. She initially borrowed $500 through a payday loan with an agreement to pay back $600 in two weeks. She then took out other payday loans to cover that bill and ended up doing multiple rollovers on each loan.

Ultimately, the airman contacted an installation loan company that gave her a $10,000 loan at a 50 percent annual percentage interest rate. The total cost to pay off the payday loans came to $12,750, and her total obligation to the installment loan company rose to $15,000.

The Defense Department notes that the airman is far from alone and is exerting a major effort to educate troops about the potential dangers of predatory loans and better ways to manage their finances, the GAO report notes.

The expanded education effort, launched last year, reached more than 400,000 servicemembers and their family members in 2005. In announcing the program, John M. Molino, then the deputy undersecretary of defense for military community and family policy, noted that the wide use of payday loans within the military has the potential to impact on mission accomplishment.

"If you're in debt, you have other things in mind," he said. "You're doing things other than concentrating on the mission; maybe you're taking on other employment. The effects are long-lasting and go deep into a person's performance. It affects unit readiness."

In addition to educating military members about the dangers of payday loans and familiarizing them with ways to put themselves on a sound financial footing, the military is seeking better protections for its members, and Congress is taking heed. Among measures DoD wants to see instituted are:

-- A requirement that lenders disclose information regarding the extension of credit in a uniform, unambiguous way;

-- A federal ceiling on the cost of credit to all military borrowers, capping the annual percentage rate; A ban on lenders extending credit to servicemembers and family members without regard for their ability to repay the debt;

-- A prohibition on loan contracts that require servicemembers and their families to waive their rights to take legal action and on contract causes that reuire them to waive any special legal protections afforded to them; and

-- A ban on states discriminating against servicemembers and families stationed within their borders, and on lenders from making loans to servicemembers that violate the state's consumer protections.

The U.S. Senate passed an amendment in June that establishes a 36-percent cap on annual percentage rates on loan to military members and their families. The bill is now in conference committee with the House of Representatives.

In addition to DoD and members of Congress, Paul Leonard from the Center for Responsible Lending expressed hopes that the amendment will pass. "We're hoping Congress will stand up to the payday industry," he said. "Our service people deserve far better than financial ruin – or trying to survive in a war zone while they're fretting about how they'll pay next month's bills."

Cap outrageous loan rates

By The Helena IR - 12/17/06

When Montana Attorney General Mike McGrath announced proposed legislation to curb payday loan excesses last week, the industry was less than amused, saying the measure would shut down the 114 such lenders in the state.

We're trying to be sympathetic, but it's tough. According to the state Banking and Financial Institutions Division, the typical payday loan in Montana is a 14-day loan of $300 — at an absolutely ridiculous annual rate of 650 percent.

No wonder payday and title loan businesses are springing up all over the place. And no wonder they're digging people — always poor people — deeply into debt.

The new rules, to be introduced in the Legislature by Rep. John Parker, D-Great Falls, would cap the annual percentage rate at 36 percent and require that no borrower have more than one loan at a time. Title loans — loans secured by the borrower's vehicle — would have a minimum 30-day term for repayment.

The 36 percent annual interest limit is the same as the limit that was recently imposed by Congress for companies that lend to military service personnel. A Defense Department study in August found that 13 to 19 percent of military people took out high-interest, short-term loans last year, and that many of them were so deeply in debt as a result that their military effectiveness was compromised.

The industry insists such loans are vital to their customers, who need the money to tide them over when times are tight. But as McGrath pointed out, the companies' advertising shows they depend on people getting trapped in debt. He quoted a Great Falls radio ad telling customers that "every sixth loan" has a discounted interest rate.

There's no doubt people need and want loans — otherwise those "You drive the car!" signs wouldn't be all over the place. But the less-well-off Montanans who take them out deserve the same protection from widely inflated interest rates that Congress gave military families.

Some consumers run into big problems with auto title lending

Updated 12/27/2006 4:38 AM ET
By Sue Kirchhoff, USA TODAY

Strapped for cash, James Haga of Marion, Va., took out a $1,600 loan last year, using his truck as collateral. In August, when he couldn't keep up with the escalating balance, Haga's Ford was repossessed.

Total cost for the loan? A $13,000 auto, plus $4,500 in payments.

"I was at home in the shower getting ready to go to work, and I went out to get my truck and it was gone," says Haga, 44, whose loan carried an effective 300% annual interest rate. Adding to his worries, Haga's girlfriend, Brandy Smith, 31, is carrying a similar, $700 loan.

Haga is one of thousands of consumers who have turned to auto title lenders for quick cash and ended up with big problems. Under the loans, sometimes called auto equity lines of credit or auto pawns, individuals offer fully owned cars or trucks as backing for loans of several hundred to several thousand dollars. Lenders take the title to the vehicle and, often, a duplicate set of keys.

Title lending is one of the lesser-known, high-cost loans now proliferating across the country. But consumer advocates call it one of the more dangerous.

If borrowers can't pay back the loans, often due in 30 days, they often roll them over, with multiplying fees. If they still fall behind, their cars can be repossessed. That contributes to a downward spiral, with people unable to get to work, a doctor or drive their kids to school.

There are no comprehensive statistics, but the Tennessee Department of Financial Institutions said more than 17,000 autos were seized by title lenders in that state in 2004. In Oregon and Idaho, government data show hundreds of cars repossessed. Rod Aycox, president of LoanMax auto title and its affiliated companies throughout the country, made about half a million loans this year and repossessed cars in 5% of the cases, or 25,000 autos, according to a statement from his firm. The average age of cars offered as collateral was 10 to 12 years.

Lenders like LoanMax are lobbying state legislatures to ward off what they call overly stringent laws, saying they provide a needed service for people who can't get financing elsewhere and comply with consumer finance laws where they operate. Some hasten to add that many borrowers don't fit the profile of the down-and-out desperate willing to sign anything.

"You'd be very surprised," says Shane Edrington, president of PrePaid Motors, an Internet-only lender in Scottsdale, Ariz. He mentions a recent customer who offered a paid-off $40,000 luxury car as security for a $3,000 loan.

PrePaid Motors charges 10% a month for loans. The firm plans to institute a system early next year in which consumers borrowing larger amounts will have a Global Positioning System and auto-disabling technology installed in their cars to make it easier to recover a vehicle in the case of default.

Coley Ward of Georgia Watch, the state's largest consumer advocacy group, says many of the borrowers he sees fit the profile of the Lummus family.

Alicia and Clinton Lummus of Conyers, Ga., took out a $525 loan in March when injuries forced both to stop working. After paying $132 a month for eight months, Alicia Lummus, 30, told her lender she couldn't keep up and asked for an extension.

The lender repossessed the truck. Not only that, but the person who came for the truck drove it into a ditch and told the Lummuses they'd never get it back unless they helped pull it out, Lummus says. They did but are still trying to recover the $14,000 auto.

"I'd ... be scared ever to do it again," says Lummus, who chose her lender because it was close to her home and didn't require a credit check.

If she gets into financial trouble in the future, Lummus, who doesn't have a bank account and cashes her paycheck at a local store, says she'd "go to my mom or dad. I didn't want them to know last time. I wanted to do it myself."

Under Georgia law, title lenders who sell repossessed autos worth more than the outstanding balance of a loan can keep the difference. In Virginia, Haga is working with Legal Aid attorneys to get his truck back. The Virginia Poverty Law Center is actively involved in the issue of auto title lending.

Efforts to regulate

President Bush earlier this year signed a law that will place a 36% annual cap on payday and other high-cost lending to the military. Under payday loans, consumers offer a post-dated check in return for a short-term loan with annual fees of often 300% or more.

Consumer advocates call that a start but say the protections need to be extended to all borrowers.

Small loans are mainly regulated by states and local governments. Auto title lenders operate in about half the states, according to the Consumer Federation of America (CFA).

A few states, including Florida and Kentucky, have clamped down on the practice, according to Jean Ann Fox of the CFA. In such states as Illinois, Utah, Iowa, Kansas and Virginia, lenders are acting with effectively no restraints on rates, she says.

"There's no consumer protection for working-poor people who struggle. ... We just simply say, 'Tough, they're dumb,' " says state Sen. Joe Bolkcom, D-Iowa, sponsor of a bill to put a 21% annual interest cap on auto title lending in his state. "There's a huge amount of money that leaves Iowa in the form of these fees."

Iowa House Speaker Christopher Rants, a Republican, has fought Bolkcom's efforts, saying government should not act as Big Brother and take options from people who may have limited access to credit.

"They're not trying to regulate them. They're trying to put them out of business," Rants says. "If you start deciding how much interest somebody is going to charge, where do you stop? I'd like a better rate on my home mortgage."

In Iowa, lenders are offering car title loans with annual rates of more than 300%. Because the loans are set up as open-ended credit, they aren't subject to a limit on interest rates.

The open-ended provisions were originally meant for credit cards, a form of unsecured credit. Though title loans are secured by an auto, title lenders charge rates 29 times that of credit card firms, the Iowa attorney general's office notes.

Car title reform legislation passed the Iowa Senate twice but did not come up in the House amid large campaign contributions on behalf of Aycox's business interests. The November elections gave Democrats control of the Legislature, and Bolkcom and Rants both expect another run at the issue.

Aycox, in a statement through his firm, says artificially capping interest rates at even a higher 36% would "force our company out of the business and thereby eliminate a needed credit option for hundreds of thousands of consumers."

"Unfortunately, special interest groups who oppose the idea of title loans being made available to consumers do not grasp the basic economics of our industry," the Aycox statement said.

Iowa is just one state where Aycox, on behalf of his business and affiliates, has been active. One recent example: The industry pushed for a new law in Idaho, which took effect in summer, spelling out the legal boundaries for title lending. The law requires disclaimers regarding the loans, a 24-hour cooling-off period in which consumers may back out and a provision that consumers have to start making principal-reduction payments on the third loan renewal. But the law sets no cap on interest rates.

State records show 110 title lenders in Idaho. A 2004 report, based on 2003 data, found the average annual interest rate on the loans was 292%. More than 1,400 vehicles were repossessed that year.

"It may surprise some people, but we get very few complaints," says Michael Larsen, consumer finance bureau chief of the Idaho Department of Finance, noting just four in the report. "Folks sit across the table and enter into an agreement. If they've gone in with eyes wide open, at the end of the day they say, 'This is a contract. ... I have my end of the contract to uphold.' "

The CFA's Fox says the Idaho law typifies the tactics of title lenders.

"They want legislation enacted that gives them the legal imprimatur of respectability, without restraining their practices in any meaningful way," Fox says.

Greg Gonzales, acting commissioner of the Tennessee Department of Financial Institutions, also says his state gets few complaints. But he notes that, prior to recent state licensing changes, 1 of every 4 title firms was charging higher-than-permitted rates and fees. After Tennessee stepped up inspections, the number of auto title lenders dropped from 931 to about 725.

"Sometimes I wonder whether people feel comfortable coming to the regulator and saying that 'I'm involved in these kinds of transactions,' " Gonzales says. "There certainly appears to be a strong interest in this product."

Consumer groups in Tennessee want tighter laws, noting annual interest and fees can total 264%.

Some consumers feel powerless when finding the loans are legal.

Gwen Irvin, 57, used a Valdosta, Ga., lender for a loan of $1,800 on a fully owned 1995 Cadillac a couple of years ago. She made $6,000 in payments before the loan was retired.

"We had to sell things, that's what we did. The TV, the VCR," Irvin says. "We were stuck in a situation that was really endless, every month scrounging around ... so we wouldn't have to walk."

Irwin searched the Internet to find out whether the loans were legitimate. Rather than going to the government, she found Georgia Watch's campaign to rein in the lending.

Alternate credit growing

Auto title lending is part of a huge expansion of the alternative financial system since the 1990s, including payday loans, high-cost mortgage products and check-cashing firms. The industry has boomed by opening outlets in areas not served by banks, promising loans regardless of credit history and providing quick cash, including Internet lending and disbursements via prepaid ATM cards for clients without bank accounts.

Consumer advocates worry that these lenders are stripping assets from lower-income Americans who can least afford it, helping exacerbate an already huge U.S. wealth gap.

The consumer group Center for Responsible Lending estimates 2.2 million families who took out high-cost mortgage loans may end up in foreclosure, a forecast called too pessimistic by the Mortgage Bankers Association.

The auto title industry is not likely to proliferate as much as high-cost mortgage and payday lending for the simple fact that only a set number of people have paid-off cars to offer as collateral.

"People are more familiar with payday loans. This is its little brother," says Helen O'Beirne of the Virginia Partnership to Encourage Responsible Lending, a coalition of consumer, labor and religious groups.

"Car title is actually worse because they are usually larger lines of credit, getting people deeper and deeper into debt," O'Beirne says.

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